



## **OVERSIGHT REPORT WITH REGARD TO THE 2013/14 ANNUAL REPORT**

Compiled in terms of the Local Government Municipal Systems Act, 2000  
(Act 32 of 2000)

Local Government: Municipal Finance Management Act, 2003  
(Act 56 of 2003)

## **OORSIGVERSLAG MET BETREKKING TOT DIE 2013/14 JAARVERSLAG**

Opgestel in terme van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000  
(No 32 van 2000)

Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003  
(No 56 van 2003)

# INDEX

- A. Item 6 of the Agenda of the Mayoral Committee Meeting of the Overstrand Municipality dated 25 March 2015.
  
- B. Item 5.2 of the Minutes of the Council meeting of the Overstrand Municipality dated 25 March 2015.

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**THIS OVERSIGHT REPORT OF THE OVERSTRAND MUNICIPALITY IN RESPECT OF THE 2013/14 ANNUAL REPORT IS COMPILED IN TERMS OF SECTION 129 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003)**

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**AGENDA OF THE MAYORAL COMMITTEE MEETING: 25 MARCH 2015**

**CONSIDERATION OF THE 2013/14 ANNUAL REPORT AND ADOPTION OF AN OVERSIGHT REPORT**

5/15/1/1  
R Louw  
11 March 2014

(028) 313 8071

Corporate Head Office

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**1. Executive Summary**

The purpose of this report is to consider the 2013/14 Annual Report and to adopt an Oversight Report. **FOR PURPOSES OF CONSIDERING THIS ITEM COUNCILLORS ARE REQUESTED TO ALSO REFER TO THE ANNUAL REPORT, WHICH WAS TABLED ON 23 JANUARY 2015.**

**2. Service Delivery and Budget Implementation Plan - IGNITE**

Management Services  
Strategic Services

**3. Compliance with Strategic Priority**

Provision of democratic, accountable and ethical governance

**4. Delegated Authority**

None

**5. Legal Requirements**

Local Government : Municipal Systems Act, 2000 (Act 32 of 2000)  
Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)

**6. Background/Discussion/Evaluation/Conclusion**

**Background**

In terms of the above legislation a Municipality must prepare an annual report for each financial year. The core components of such an annual report must include:

- a. a performance report;
- b. the financial statements;
- c. and audit report on the financial statements, and
- d. the audit report on the performance evaluation

The purpose of the annual report is to:

## **AGENDA OF THE MAYORAL COMMITTEE MEETING: 25 MARCH 2015**

- provide a record of the activities of the Municipality;
- provide a report on performance in service delivery and against the budget;
- provide information that supports the revenue and expenditure decisions made; and
- promote accountability to the local community for decisions made.

The draft audited annual report, taking cognisance of the above-mentioned requirements, was tabled by the Executive Mayor at the Special Council meeting of 23 January 2015.

The local community was in terms of section 127(5)(a)(i) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) invited to submit representations in connection with the draft Annual Report to the Municipality by submitting such representations to the Municipal Manager on or before 27 February 2015.

No public comments were received as at the date and time of closure. Comments were however received from Provincial Treasury, attached as **Annexure A**. The comments from the Municipality on the Provincial Treasury assessment is stated on pages 4 and 5 in the Treasury document (Annexure A).

The Municipal Public Accounts Committee (MPAC) also considered the annual report. The minutes of the MPAC are attached as **Annexure B**.

Representatives of the Office of the Auditor-General and Provincial Departments of Local Government and Finance have been invited to attend the council meeting. Likewise will members of the municipality's Audit Committee be present at the meeting. The MFMA furthermore provides for members of the local community to address the council.

For purpose of adopting an Oversight Report the MFMA requires the council to consider the annual report to state whether the council:

- approves the annual report, with or without reservations;
- rejects the annual report or;
- refers the annual report back for revision of those components that can be revised.

### **7. Financial Implications**

Not applicable

### **8. Staff Implications**

Report compiled in-house

**AGENDA OF THE MAYORAL COMMITTEE MEETING: 25 MARCH 2015**

**9. Comments from other Departments, Divisions and Administrations**

Various officials were interviewed during the information gathering phase.

**10. Annexures**

Annexure A: Comments from Provincial Treasury

Annexure B: Minutes of the Municipal Public Accounts Committee (MPAC)

**(Note: The Final Annual Report for 2013/14 is distributed on a CD)**

**RECOMMENDATION TO COUNCIL:**

1. that in terms of Section 129 of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) and having duly considered the 2013/14 Annual Report of the Overstrand Municipality and the content of this item, the said report **be approved** without reservation.

**RESPONSIBLE OFFICIAL :**

**R LOUW**

**TARGET DATE FOR IMPLEMENTATION : NOT APPLICABLE**



**Western Cape  
Government**

Provincial Treasury

Mr A Rasool

Local Government Budget Office

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**Overstrand Municipality  
2013/14  
Annual Report Assessment**

## **1. INTRODUCTION**

MFMA section 121(1) states that every municipality and every municipal entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities. These include:

- The annual financial statements of the municipality/entity and if municipality has municipal entities, consolidated annual financial statements as submitted to the Auditor-General for audit;
- The audit report of the Auditor-General in terms of both section 126(3) of the MFMA and section 45(b) of the MSA;
- Municipality's annual performance report as per section 46 of the MSA;
- Assessment of any arrears on municipal taxes and service charges;
- Assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget;
- Particulars of corrective action taken or to be taken on issues raised in audit reports;
- Explanations to clarify issues on financial statements; and
- Any other information determined by the municipality/entity including recommendations made by the audit committee and any other information as may be prescribed.

National Treasury has further introduced the new annual report template and MFMA Circular No. 63 on 26 September 2012. MFMA Circular 63 aims to provide guidance to municipalities and municipal entities on the new Annual Report format and its contents.

## **2. Purpose**

The purpose of this assessment is to fulfil Provincial Treasury's oversight role as outlined in sections 4, 5 and 6 of the MFMA. In addition, the assessment aims to:

- Assist the municipality to demonstrate accountability;

- Promote organisational learning,
- Promote understanding of the municipality's operational performance; and ultimately assist the municipality in decision making activities.

This report therefore contains an evaluation of the municipality's Annual report in terms of compliance to the legislation and the new annual Report Template.

### 3. LEGISLATIVE COMPLIANCE

**Table 1 Legislative Compliance**

	<b>Applicable legislation</b>	<b>Comment and recommendations</b>
Annual Report tabled to council within 7 months after end of financial year	MFMA section 121(1)	Yes. 23 January 2015
Annual Report submitted to PT	MFMA section 127(5)	Yes. 27 January 2015
Annual Report made public and public invited to comment	MFMA section 127(5)	Yes, placed on website. 23 January 2015
Annual Report placed on website within 5 days after tabling in Council	MFMA section 75	Yes. 27 January 2015

Source: PT network and municipal website



#### 4. FORMAT OF THE ANNUAL REPORT

This section is to determine if the Annual Report complies with the New Annual Report Template.

**Table 2 Format of the Annual Report**

	Yes/No	Comments
<b>Chapter 1</b>		
<b>Executive Mayors foreword</b>		
Strategic alignment to Provincial and Growth and Development Strategy.	Yes	Pg 20, five strategic objectives were reaffirmed.
Corrective actions taken to ensure that strategic objectives as stipulated in the IDP were achieved.	Yes	As per recent MGRO 2 engagement/visit and findings related to this process.
Methods used/implemented to improve public participation and accountability.	Yes	Key focused areas listed as well as achievements relating to Basic Service Delivery.
Statement of corrective actions whereby service delivery can be improved.	Yes	Challenges are listed on Pg 20-22 under the heading 'Key Service Delivery Improvements'.
<b>Municipal Managers foreword</b>		
Functions and Powers of the municipality/entity in relation to section 155/156 of the Constitution and Chapter 3 of the MSA.	Yes	Paragraph 1, Pg 25.
Sector departments and the sharing of functions between the municipality/entity and sector departments.	No	<u>Municipality comments:</u>  However, municipal functions are listed in the main body of the AR section 3.2.3
A statement on the previous financial year's audit opinion.	Yes	Paragraph 4, Pg 25.
Information related to the revenue trend by source including borrowings undertaken by the municipality.	No	<u>Municipality comments:</u>  Inserted paragraphs 5 and 6, Pg26
The internal management changes in relation to section 56/57 managers.	Yes	Paragraph 1, Pg 26.
Risk assessment, including the development and implementation of measures to mitigate the top 5 risks.	No	<u>Municipality comments:</u>  Inserted paragraph 7, Pg. 26. However it's included in main body of the AR – section 2.7 (Risk Management)

	Yes/No	Comments
<b>Municipal Overview</b>		
Information on socio-economic conditions (demographics, economic growth, population, growth)	No	However, it is included in the Mayor's Foreword on Pg 29-30.
Outcomes of both success and not so successful initiatives embarked upon.	No	<u>Municipality comments:</u>  However, it is included in the Mayor's Foreword on Pg 22-24
<b>Chapter 2: Governance</b>		
Component A: Governance Structures, Political Governance Structure and Administrative Governance Structure.	Yes	The Governance structure is fully addressed on pages 49-54. Ward Committee, Portfolio, Mayoral and Council meetings are scheduled for a year in advance and a high attendance figure is achieved.
Component B: Intergovernmental Relations: Intergovernmental Relations.	Yes	Addressed. See pages 54-56. District and Provincial Intergovernmental structures are well attended as listed comprehensively in the said Report.
Component C: Public Accountability and Participation (Public Meetings and IDP Participation and Alignment.	Yes	Public meetings, ward committees, sector engagements, IDP participation and alignment has been discussed under public participation P57-67. The relevant forums for public participation in this regard are functional.
Component D: Corporate Governance (Risk Management, Anti-corruption and fraud, Supply Chain Management, By-laws, Websites, Public Satisfaction on Municipal Services, All municipal oversight committees.	Yes	Issues relating to Corporate Governance have been fully addressed on pages 67-87. This is in accordance with MGRO 2 findings. The municipality has diligently adhered to all facets of corporate governance and is a shining light across the Province in this regard.
<b>Chapter 3: Service Delivery Performance</b>		
Component A: Basic services, Housing and free basic services	Yes	Water, sanitation, electricity & street lighting, waste management, housing, free basic services has been addressed on pages 186-210. The main projects for 2013/14 included the completion of the upgrading of the Preekstoel Water Treatment Plant in Hermanus, which included the development of two new well fields, as well as the construction of a new biological treatment plant for iron and manganese removal from groundwater; construction of a new reservoir at Rooi-Els; Continuation of a major water pipe replacement project covering most of the Overstrand areas; and the construction of a new water treatment plant and borehole at

	Yes/No	Comments
		<p>Baardskeerdersbos. A household water leak repairs project at indigent households was continued, as well as the replacement of ageing domestic water meters.</p> <p>The criteria for an Indigent Household was extended as follows:</p> <ul style="list-style-type: none"> <li>• Indigent households with a property value greater than R100 000</li> <li>• Indigent households with a property value less than R100 000</li> <li>• Poor households</li> </ul> <p>Challenges relating to Basic Service Delivery:</p> <ul style="list-style-type: none"> <li>• Relatively high water losses in some areas continues, although the trend is decreasing.</li> <li>• Ageing infrastructure</li> <li>• Climate change</li> <li>• Electrification of Informal Settlements</li> <li>• Theft of electricity (tampering), cables and vandalism</li> <li>• Closing of Karwyderskraal regional landfill site</li> <li>• Illegal dumping</li> <li>• Housing waiting list : 6 719 (30 June 2014)</li> <li>• Backlog in infrastructure provision for waste water treatment.</li> <li>• Damage and flooding of infrastructure and properties</li> <li>•</li> </ul>
Component B: Road Transport- Roads , transport	Yes	<p>Roads and storm water had been dealt with but there is no mention of transport within component B: Road Transport.P213-220.</p> <p>Challenges to be addressed include:</p> <ul style="list-style-type: none"> <li>• Lack of sufficient funding to reduce backlogs</li> <li>• Deterioration of gravel roads</li> </ul>
Component C: Planning and Development	Yes	<p>Planning development (spatial planning), building control and local economic development have been discussed on pages P221-231. Challenges include:</p> <ul style="list-style-type: none"> <li>• Spatial Planning and Land Use Management Act</li> <li>• Land Use Planning Act (WC)</li> </ul>
Component D:Community and social	Yes	Library services, museums, community facilities

	Yes/No	Comments
services		and cemeteries has been addressed on pages 232-234 Challenges include: <ul style="list-style-type: none"> <li>• Finance/Sponsorship</li> <li>• Outreach Programmes</li> <li>• New Books</li> <li>• Book Accommodation</li> </ul>
Component E: Environmental protection	Yes	The following topics were addressed under the component environmental protection: pollution control, biodiversity and climate change. See pages P240-255. Priorities are centred around: <ul style="list-style-type: none"> <li>• Approved Management Plans for our 2 Nature Reserves.</li> <li>• Coastal Management Programme.</li> <li>• Environmental Management System.</li> </ul>
Component F: Sport and Recreation	Yes	Programmes and action plans addressed on P257-258. Challenges to be addressed include: <ul style="list-style-type: none"> <li>• Vandalism of infrastructure.</li> <li>• Lack of volunteers.</li> <li>• Maintenance of Grass.</li> </ul>
Component H: Corporate policy offices and other services	Yes	Traffic & law enforcement services and fire & disaster management has been discussed on pages 259-275. Challenges include: <ul style="list-style-type: none"> <li>• Ageing Infrastructure. (Increase maintenance budget and enhance asset replacement programmes (capital budget)).</li> </ul>
Component I: Service Delivery Indicators for 2014/15	Yes	Executive council, financial services, human resources services, administration & ITC services. See pages 276-281.
<b>Chapter 4: Organisational Development Performance</b>		
Component A: Introduction to the municipal workforce (Total Employment, to include staff turnover)	Yes	Management, workforce, turnover & vacancies and employment equity has been mentioned on pages 283-287
Component B: Managing the municipal workforce Levels on reporting should be broken down to MM & section 56, top management, assistant managers, supervisors, etc.	Yes	The workforce levels were broken down to MM & section 56, top management, assistant managers and supervisors. See pages 288-289
Component C: Capacitating the municipal workforce.	Yes	Fully addressed on page 290-292

	Yes/No	Comments
Component D: Managing the municipal workforce expenditure.	Yes	Employment expenditure was addressed under workforce expenditure page 292-293
<b>Chapter 5: Financial Performance</b>		
Component A: Statement of Financial Performance	Yes	Reference was made on page 295-322
Component B: Spending against Capital Budget	Yes	Spending against capital budgets was addressed on page 323-329
Component C: Cash flow Management and Investment	Yes	Cash flow, borrowing and investments supply chain management and GRAP compliance was discussed under cash flow management and investments. See page 332-337
Component D: Other Financial Matters	Yes	Reference was made to other financial matters. P338
<b>Chapter 6: Auditor-General Audit Findings</b>		
Annual financial statements and performance reports	Yes	See Annexure A
Audit opinion	Yes	P339-341

## 5. Municipal Reporting

The socio-economic conditions are presented and discussed within the assessed document. Sufficient detail is covered in the analysis. The analysis is deemed credible based on the date and trends presented. Naturally, the municipality in its current state has grave socio-economic challenges which are highlighted in its analysis.

Basic Service Delivery performance features prominently making specific mention of issues pertaining to: Housing, Roads, Planning, Community and Social Development, Environmental Protection and Safety & Security. Comprehensive reference is made to LED initiatives and the progress/challenges thereof. A detailed outline of the LED strategy is also in place. Challenges relating to the provision of Basic Services and the challenges thereof have been listed as follows:

- Aging infrastructure
- Vandalism
- Blockages to sewerage

- High Water losses
- Old equipment & vehicles
- Shortage of external as well as internal funds.
- Lack of funds to reduce Roads backlogs.

Free Basic Services to indigent households has been highlighted with specific performance to date including Rand value of service delivered. The Annual Report indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than R2 581 per month will receive the free basic services as prescribed by national policy. The Annual Report, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years.

## **6. Conclusion and Recommendations**

The Municipality's Annual Report complied with legislation regarding tabling, submission to Provincial Treasury as well as making the document public.

The Municipality has done well in its completion of the 2013/14 annual report and has been able to come close to full compliance with the new annual report format.

The Municipality is encouraged to continue in progressively completing the few components not yet included as per the new format, as well as any gaps within the chapters as indicated.

It is encouraged that variances between planned and actual targets be made available within the SDBIP reporting template. The municipality has provided sufficient detail in relation to the corrective measures in place to rectify the challenges as mentioned above.

For additional socio-economic information, the Municipality can consult the Municipal Economic Review and Outlook: Overberg District as well as the Socio-Economic Profile for Overstrand Municipality. Both of these are documents that the Provincial Treasury releases to aid municipalities with planning information.

**5.2****CONSIDERATION OF THE 2013/14 ANNUAL REPORT AND ADOPTION OF AN OVERSIGHT REPORT****(ITEM 6, PAGE 7 : MAYORAL COMMITTEE MEETING : 25 MARCH 2015)****RESOLVED (UNANIMOUSLY):**

that, in terms of Section 129 of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) and having duly considered the 2013/14 Annual Report of the Overstrand Municipality and the content of this item, the said report **be approved** without reservation.

**RESPONSIBLE OFFICIAL :****R LOUW****TARGET DATE FOR IMPLEMENTATION :****NOT APPLICABLE**



**MEETING OF THE MUNICIPAL  
PUBLIC ACCOUNTS COMMITTEE**

**VERGADERING VAN DIE MUNISIPALE  
OPENBARE REKENINGE KOMITEE**

**MINUTES / NOTULE**

**DATE / DATUM :** 10 MARCH / MAART 2015  
**VENUE / PLEK :** MAYOR'S COMMITTEE ROOM  
(GLASKAS)  
BURGEMEESTER SE KOMITEEKAMER  
(GLASKAS)  
HERMANUS

**TIME / TYD :** 11:00



**OVERSTRAND**

**MUNICIPALITY / MUNISIPALITEIT / U-MASIPALA**

**MINUTES OF A MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS  
COMMITTEE HELD IN THE MAYOR'S COMMITTEE ROOM (GLASKAS),  
HERMANUS ON 10 MARCH 2015 AT 11:00**

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**PRESENT / TEENWOORDIG:** Ald M Ponoane (Chairperson)  
Cllr M Andrews  
Cllr Ndevu  
Cllr A Prins  
Mr S Hansen  
Mr P Graham

**APOLOGY / VERSKONING:** Cllr T Pie  
Cllr JJ Januarie

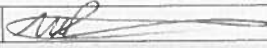
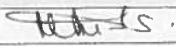


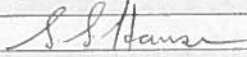
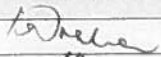
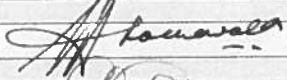
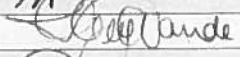
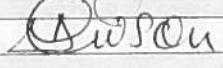

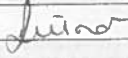
**OFFICIALS PRESENT /  
AMPTENARE TEENWOORDIG:** Mr C Groenewald  
Ms D Arrison  
Ms S Reyneke-Naudé  
Ms R Louw  
Ms H van Tonder

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**MUNICIPALITY OVERSTRAND MUNISIPALITEIT  
ATTENDANCE REGISTER / BYWONINGSREGISTER**

**MEETING: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE  
VERGADERING: MUNISIPALE OPENBARE REKENINGE KOMITEE**

**DATE OF MEETING / DATUM VAN VERGADERING  
10 MARCH 2015 / 10 MAART 2015**

ALD PONOANE M	
CLLR ANDREWS M	
CLLR JANUARIE JJ	Apology
CLLR NDEVU L	
CLLR PIE T	Apology
CLLR PRINS A	
MR S HANSEN	
MR P GRAHAM	
MR C GROENEWALD	
MS S REYNEKE-NAUDE	
MS D ARRISON	
MS R LOUW	
MS H VAN TONDER	

**MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**  
**10 MARCH 2015**

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**1. OPENING**

The Chairperson, Ald M Ponoane, welcomed everyone present.

The meeting was opened with prayer by Cllr A Prins.

The Municipal Manager, Mr C Groenewald, read the notice convening the meeting.

**2. APPLICATIONS FOR LEAVE OF ABSENCE**

**Cllr T Pie**

**RESOLVED**

that the above-mentioned application for leave of absence **be approved**.

**Cllr JJ Januarie**

**RESOLVED**

that the above-mentioned application for leave of absence **be approved**.

**3. CONSIDERATION OF THE 2013/2014 ANNUAL REPORT**

The Municipal Public Accounts Committee considered the content of the Municipality's 2013/2014 Annual Report.

**4. RESOLVED TO RECOMMEND TO COUNCIL**

- a) that the checklist (Annexure A to the minutes), as per MFMA Circular 32, that summarises what must be included in the annual report **be noted**; and
- b) that the draft Annual Report for the 2013/2014 financial year be approved without reservations.

**5. CLOSURE**

The meeting closed at 11:33.

## **ANNEXURE C TO MFMA CIRCULAR NO 32**

### **CHECKLIST FOR CONSIDERING THE ANNUAL REPORT**

The MFMA provides that the purpose of the annual report of a municipality or a municipal entity for each financial year is:

- to provide a record of activities;
- to provide a report on performance against the budget; and
- to promote accountability to the local community for decisions made throughout the year.

The MSA provides that an annual *performance report* must be prepared for each financial year to report on the performance of the municipality and each external service provider, compared with targets set for performance.

The annual report requirements are provided in Chapter 12 of the MFMA, section 45 and 46 of the MSA and the annual Division of Revenue Act.

The following checklist summarises what must be included in the annual report and is designed to support and guide councillors and officials. It should be noted however, that this list is not exhaustive and from time to time other information requirements may be prescribed. Consideration must also be given to specific circumstances and conditions in which other questions may be appropriate. Councillors and officials are encouraged to make suggestions to enhance this checklist and send these to the National Treasury.

Council should verify that the required information is contained in the annual report and then consider the relevance and accuracy of information accordingly. The checklist provides guidance on how matters could be considered.

The oversight committee and the full council may use this checklist as a means to organise the report and to manage requests for additional information. The questions suggested may be used by all councillors to gain clarification on contents of reports and also to verify compliance with the MFMA and MSA. Responses to many of these questions should be provided by the accounting officer of the municipality and/or municipal entities.

Note that the views of the Audit Committee and the findings of the Auditor-General are primary sources of information to assist council in determining a decision on the annual report.

**CHECKLIST FOR CONSIDERING THE ANNUAL REPORT FOR THE 2013/14 FINANCIAL YEAR, OVERSTRAND MUNICIPALITY**

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p><b>Financial Matters</b></p> <p>The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General</p>	<p><b>Financial Reporting Matters to be Considered</b></p> <p>Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005 provides guidelines on the new accounting standards for municipalities.  <i>Have the required standards been met – refer audit report and report of audit committee for views on this?</i></p>	<p>Yes,  Annexure A: Financial Statements (AFS) (pg.1 -81)</p>
	<p>The above applies also to the AFS of municipal entities.</p>	<p>n/a</p>
<p>The Auditor-General's reports on the financial statements of the municipality and the entities</p>	<p><i>Is the audit report included in the annual report as tabled?  If not, when will the audit report be tabled?  What are causes of the delays?  What actions are being taken to expedite the report?</i></p>	<p>Yes,  Annexure B: Report of the Auditor-General</p>
	<p>The above applies also to the AFS of municipal entities.</p>	<p>n/a</p>
<p>Any explanations that may be necessary to clarify issues in connection with the financial statements</p>	<p>The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.  <i>Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?</i></p>	<p>Yes,  Notes attached as part of Annexure A, (pg.27-63) of the AFS</p>
	<p>The above applies also to the AFS of municipal entities.</p>	<p>n/a</p>
<p>An assessment by the accounting officer on any arrears on municipal taxes and service charges including municipal entities.</p>	<p><i>Has an adequate assessment been included?  Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?  Is any other action required to be taken?</i></p>	<p>Yes,  Chapter 5, Section 5.11-5.12 (pg.334-335)</p>
	<p>The conclusions of the annual audit may be either –</p>	<p>Yes.</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p>Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports</p>	<ul style="list-style-type: none"> <li>• an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable;</li> <li>• a qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or</li> <li>• the auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed.</li> </ul> <p>The objective of the municipality should be to achieve an unqualified audit opinion.  <i>Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</i></p> <ul style="list-style-type: none"> <li>• <i>To what extent does the report indicate serious or minor financial issues?</i></li> <li>• <i>To what extent are the same issues repeated from previous audits?</i></li> <li>• <i>Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?</i></li> <li>• <i>Has a schedule of action to be taken been included in the annual report, with appropriate due dates?</i></li> </ul> <p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC's for local government and finance to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC's.</p>	<p>Chapter 6 (section 6.2), pg. 339</p> <p>Annexure B- AG report, paragraph 6 (opinion)</p>
<p>An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget</p>	<p>The above applies also to the AFS of municipal entities.</p> <p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA's 17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly.  <i>Has the performance met the expectations of council and the community?</i>  <i>Have the objectives been met?</i>  <i>What explanations have been provided for any non-achievement?</i>  <i>What was the impact on the service delivery and expenditure objectives</i></p>	<p>n/a</p> <p>Yes,  Chapter 3, Service delivery performance, (pg. 87-283)</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p><i>in the budget?</i> Council should comment and draw conclusions on performance and explanations provided.</p>	<p>Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets, etc. The entity's annual report must include an assessment by the accounting officer, or performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities.</p> <p><i>Has the performance met the expectations of council and the community?</i> <i>Have the performance objectives been met?</i> <i>What explanations have been provided for any non-achievement?</i> <i>What was the impact on the service delivery and expenditure objectives in the budget?</i> Council should comment and draw conclusions on performance and explanations provided.</p>	<p>n/a- no municipal entities</p>
<p>An assessment by the municipal entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality</p>	<p>Review any other information that has been included in regard to the AFS.</p>	<p>n/a- no municipal entities</p>
<p>Any information as determined by the municipality, the entity or its parent municipality</p>	<p>The above applies also to the AFS of municipal entities.</p>	<p>n/a- no municipal entities</p>
<p>Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities.</p>	<p><i>Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity?</i> <i>What actions need to be taken in terms of these recommendations?</i> Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>Yes, Annexure C: Report of the Audit Committee Pg. 2. Paragraphs 4, 5, 6</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p><b>Allocations received and made</b></p> <p>Allocations received by <u>and</u> made to the municipality</p>	<p><b>Considerations</b></p> <p>The report should disclose:</p> <ul style="list-style-type: none"> <li>• Details of allocations received from another organ of state in the national or provincial sphere.</li> <li>• Details of allocations received from a municipal, entity or another municipality.</li> <li>• Details of allocations made to any other organ of state, another municipality or a municipal entity.</li> <li>• Any other allocation made to the municipality under Section 214(1)(c) of the Constitution.</li> </ul> <p><i>Have these allocations been received and made?</i>  <i>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</i>  <i>Does the audit report or the audit committee recommend any action?</i></p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	<p><b>Comments</b></p> <p>Yes,  Chapter 5: Financial performance,  Section 5.3.1 – grant performance (pg. 311-317); Section 5.13.3 (pg.337-338)</p> <p>Also- Pg. 43- 46 notes of AFS (note 26) provides detail of government grants and subsidies</p>
<p>Allocations received <u>and</u> made to the municipal entity</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> <li>• Details of allocations received from any municipality or other organ of state.</li> <li>• Details of any allocations made to a municipality or other organ of state.</li> <li>• Other information as may be prescribed.</li> </ul> <p><i>Have these allocations been received and made?</i>  <i>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</i>  <i>Does the audit report or the audit committee recommend any action?</i></p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	<p>n/a</p>
	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> <li>• The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all</li> </ul>	<p>Yes,  Chapter 5: Financial performance,  Section 5.3.1 – grant performance (pg. 311-317); Section 5.13.3 (pg.337-338)</p>



Information Required to be Included in Annual Reports <i>Allocations received and made</i>	Council Considerations and Questions	Comments
<p>Information in relation to the use of allocations received</p>	<p><b>Considerations</b></p> <p>transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects.</p> <ul style="list-style-type: none"> <li>• Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</li> <li>• Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</li> </ul> <p>This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received.</p> <p><i>Council should be satisfied that –</i></p> <ul style="list-style-type: none"> <li>• <i>the information has been properly disclosed;</i></li> <li>• <i>conditions of allocations have been met; and</i></li> <li>• <i>that any explanations provided are acceptable.</i></li> </ul> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<p><b>Comments</b></p>
<p>Information in relation to outstanding debtors and creditors of the municipality and entities</p>	<p>Municipalities and entities are reminded of the requirements to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity</p>	<p>Pg. 334-336, only cites debtors per service. The differentiation by national and provincial is available, but not included because it's not a requirement for inclusion in the AR by either the MFMA, GRAP or the AG.</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p><b>Allocations received and made</b></p>	<p><b>Considerations</b></p> <p>has met its statutory commitments, included the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p><i>Council should be satisfied that –</i></p> <ul style="list-style-type: none"> <li>• <i>the information has been properly disclosed;</i></li> <li>• <i>conditions of allocations have been met; and</i></li> <li>• <i>also that any explanations provided are acceptable</i></li> </ul> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<p><b>Comments</b></p>

Disclosures in notes to AFS	Considerations relating to section 124	Comments
<p>Information relating to benefits paid by municipality and entity to councillors, directors and officials</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ul style="list-style-type: none"> <li>• salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind;</li> <li>• any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors;</li> <li>• salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager;</li> <li>• contributions for pensions and medical aid;</li> <li>• travel, motor car, accommodation, subsistence and other allowances;</li> <li>• housing benefits and allowances;</li> <li>• overtime payments;</li> <li>• loans and advances; and</li> <li>• any other type of benefit or allowance related to staff.</li> </ul> <p><i>Council should be satisfied that –</i></p> <ul style="list-style-type: none"> <li>• <i>the information has been properly disclosed;</i></li> <li>• <i>conditions of allocations have been met; and</i></li> <li>• <i>that any explanations provided are acceptable.</i></li> </ul>	<p>Yes,</p> <p>Notes 31 and 32 in AFS (pg. 50-51 of AFS)</p>

<b>Disclosures in notes to AFS</b>	<b>Considerations relating to section 124</b>	<b>Comments</b>
	<p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	
<p><b>Municipal Performance</b> The annual performance reports of the municipality and entities</p>	<p><b>Considerations</b> Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measurers taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <p><i>Has the performance report been included in the annual report?</i> <i>Have all the performance targets set in the budgets, SDBIP, service agreements, etc been included in the report?</i> <i>Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</i> <i>In terms of key functions or services, how has each performed? Eg, have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics, etc?</i> <i>To what extent has performance achieved targets set by council?</i> <i>Is the council satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</i> <i>What actions have been taken and planned to improve performance?</i> <i>Is the council satisfied with actions to improve performance?</i> <i>Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</i> <i>Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</i> <i>Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</i></p>	<p><b>Comments</b> Yes, Chapter 3, Service delivery performance, pg. 87-283</p>

<b>Municipal Performance</b>	<b>Considerations</b>	<b>Comments</b>
	<p>To what extent have actions planned for the previous year been carried over to the financial year reported upon?            Have any actions planned in the reported year been carried over to the current or future years? If so, are any explanations been provided by the municipal manager and are these satisfactory?</p> <p>Council should comment and draw conclusions on information and explanations provided.</p> <p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.</p> <p>Have the recommendations of internal audit been acted on during the financial year?            Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p>	<p>Yes,            Chapter 2: Good Governance, Section 2.11 (Internal Auditing, pg.72-74) :</p> <p>Chapter 6: Section 6.2- AG report 2013/14 (pg.339-340)</p> <p>Annexure C- Report of the AC- pg.4 paragraph 8</p> <p>Yes, only for contracted service providers, Chapter 3, Section 3.2.2 (pg. 109-155).</p> <p>No municipal entities.</p>
<p>Audit reports on performance</p> <p>Performance of municipal entities and municipal service providers</p>	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities.            The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality?            What other actions are considered necessary to be taken by the accounting officers?</p> <p>This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein.            Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities.</p> <p>To what extent were the objectives and performance measures of the</p>	<p>No municipal entities- not applicable</p>
<p>For municipal entities – an assessment of the entity's performance against any measurable performance objectives set in terms of the</p>		

<b>Municipal Performance</b>	<b>Considerations</b>	<b>Comments</b>
<p>service delivery agreement or other agreement between the entity and municipality</p>	<p>entity aligned to the overall strategic objectives of the municipality and its IDP?  Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality?  What specific actions should be taken by the entity and the municipality to improve performance?</p>	

<b>General Information</b>	<b>The following general information is required to be disclosed in the annual report</b>	<b>Comments</b>
<p>Relevant information on municipal entities</p>	<p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.</p>	<p>No municipal entities - not applicable</p>
<p>The use of any donor funding support</p>	<p>What donor funding has the municipality received?  Have the purpose and the management agreements for the funding been properly agreed upon?  Have the funds been used in accordance with agreements?  Have the objectives been achieved?  Has the use of funds been effective in improving services to the community?  What actions need to be taken to improve utilisation of the funds?</p>	<p>Yes,  Chapter 5, Section 5.3.3- Grants received from sources other than the DORA (pg.316)</p>
<p>Agreements, contracts and projects under Private-Public Partnerships</p>	<p>Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.</p>	<p>No municipal entities - not applicable</p>
<p>Service delivery performance on key services provided</p>	<p>This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality.  Overall results on the strategic functions and services should be summarised.  This should cover all services whether provided by the municipality, entities or external mechanisms.  Council may draw conclusions on the overall performance of the municipality.</p>	<p>Yes,  Chapter 3- Service Delivery performance,  Graph 4: Overall performance per Strategic objective (pg.96)  Pg.171- 185- Overall performance per directorate</p>

<b>General Information</b>	<b>The following general information is required to be disclosed in the annual report</b>	<b>Comments</b>
Information on long-term contracts	<p>This information may be found in an executive summary section of the annual report and or in statistical tables.</p> <p>Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.</p>	<p>Yes, Chapter 5- Financial Performance, Section 5.13- Borrowings and Investments (pg. 336-337)</p> <p>Also, pg.73 of AFS (loans)</p>
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained.</p> <p>Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.</p>	<p>Yes, Chapter 3- Section 3.10.1 ICT services (pg.270-273)</p>
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved.</p> <p>The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>Pg. 329- MIG spending for 2013/14</p> <p>Will include the three year MIG capital plan on pg.329 of the AR</p>

<b>Other considerations recommended</b>		<b>Comments</b>
Timing of reports	<p>Was the report in the time prescribed? Has a schedule for consideration of the report been adopted?</p>	<p>Yes, draft audited tabled at Special Council meeting on 23 Jan 2015, 1 month public comments period,</p>